

## **PI - Cost Avoidance Proposals and Projects**

### **Purpose:**

Cost avoidance issues are an essential component of the Program Integrity Unit. Issues identified that could contribute to future cost avoidance by the Medicaid Program are considered a part the recoupment goals of the IME Program Integrity contract.

### **Identification of Roles:**

IME Program Integrity (PI)– propose change(s) that could be initiated by the PI unit as potential future cost avoidance initiatives for the Iowa Medicaid Enterprise.

IME Policy Unit– once initiative is approved, develop proposed rules or coordinate system modification as necessary.

### **Performance Standards:**

Proposals for cost avoidance will be analyzed within 30 days of receipt.

Approved proposals will be implemented within 45 days of approval.

### **Path of Business Procedure:**

Cost avoidance is (1) the process of identifying Medicaid payments that are not in accordance with established Medicaid regulations and policies, and proposing solutions to remove the disparities between the expressions of these regulations and policies that cause payments to be made inappropriately, and (2) identifying opportunities to save health care dollars by refining Program policy and direction. In other words, cost avoidance can prevent unauthorized or unintended Medicaid payments from reaching providers in the first place and is vital in conserving resources for other, needed services.

Laws, regulations, and operating requirements for the Iowa Medicaid Program are contained at many levels and locations, such as:

- Federal Medicare & Medicaid coding, billing, and reimbursement requirements (42 CFR, etc.)
- Iowa Administrative Code (IAC Administrative Rules)
- Medicaid Provider Manuals
- Coding manuals defining proper use of procedure codes (CPT, ICD-9, HCPCS, etc.)
- Department of Human Services' Medicaid Operating Policies and Procedures
- Medicaid Management Information System (MMIS-Execution of Payment Policies)

In a perfect world all of the above would explain and carry out the regulations and other requirements in clear, consistent language. The fact is there are many disparities between the language in these different sources of regulations and requirements, and also with the systems implemented to execute these requirements.

## **IDENTIFYING COST AVOIDANCE OPPORTUNITIES**

- Step 1. Any member of the PI staff may propose a change that could be initiated by the PI unit as a potential future cost avoidance initiative for the Iowa Medicaid Enterprise.
- a. Initially, the person identifying the possibility of cost avoidance may simply voice the issue to the Account Manager, Operations Manager, Payment Integrity Specialist, or the Database Management Administrator.
  - b. It is best if the person drafts a simple statement in an E-mail or Word document to any staff referenced above to summarize their observation.
- Step 2. The above staff will discuss potential cost avoidance issues in ad-hoc meetings, as appropriate. The person identifying the cost avoidance opportunity will be invited to participate in this discussion. Results of potential cost avoidance recommendations that can result in savings are included in the following list.
- a. Change in Medicaid Policy
  - b. Change in Iowa Administrative Code
  - c. Change in Medicaid Provider Manual
  - d. Change in coding, claims, or payments
  - e. Operational change
  - f. MMIS Systems change (Change Management Request (CMR), System Action Memo (SAM), etc.)
- Step 3. If it is decided to pursue the opportunity, staff will use electronic form Program Integrity F-104, "Cost Avoidance Proposal."
- a. Complete the form with as much detail and supportive documentation as is available and practical.
  - b. Send the completed form electronically to the Account Manager.
  - c. Save the completed form electronically in PISURS>>Cost Avoidance Issues>> Proposals for Jeff.
- Step 4. The Account Manager will then approve the proposal, deny it, or suggest modifications.

- a. Once the proposal is approved, the person identifying the opportunity will work with the Operations Manager, Payment Integrity Specialist, or Database Management Administrator to gather data to document the potential financial impact of the proposed change.
- b. Financial projections of the proposed change and savings may be calculated before the proposed change is submitted to the State. If financial projections have not yet been calculated, note on any proposed Change Management Request (CMR) request that they will be determined.

Step 5. The Account Manager documents his or her approval of Cost Avoidance Proposals on the submitted PI Cost Avoidance Proposal form F-104. The Administrative Assistant saves the updated proposal and then sends an electronic copy of the approved form to the Account Manager, Payment Integrity Specialist, Database Management Administrator and the Reviewer.

Step 6. The Payment Integrity Specialist creates and names a folder for the Cost Avoidance Project and enters it into the Cost Avoidance Project Log on the shared drive at PI\SURS>>Cost Avoidance Issues>>Payment Integrity Docs>>Future Cost Avoidance Project Log. The Payment Integrity Specialist then adds the project name and number to the bottom portion of the approved form F-104.

Step 7. The Account Manager is responsible for presenting cost avoidance proposals to the State. The Operations Manager and the Payment Integrity Specialist calculate projected cost savings and financial credit to the IME PI contract. The Payment Integrity Specialist and the Database Management Administrator generate data to determine the value of the change being proposed, based on a historical trend of paid claims. In order to get credit for cost avoidance, the following criteria must be met.

- a. The data must clearly identify how the proposed change will result in the projected cost avoidance being projected.
- b. The Operations Manager and Payment Integrity Specialist work together to generate the future value of the changes being recommended based on the past value of the service. A trend line of the future value of the proposed change is generated identifying the monthly value of the changes proposed. These figures are graphed and discussed with the Account Manager. Adjustments are made as determined appropriate. Please refer to the procedure, "Future Cost Avoidance, Projecting".
- c. Include any prospective or retrospective increases in funding or appropriation passed by the Iowa Legislature and approved by Centers for

Medicare & Medicaid Services (CMS) into all cost avoidance projections. Document these adjustments with spreadsheet files created for each projection.

- d. The recommended modification, along with the proposed cost avoidance projections, is formulated into a comprehensive package for presentation to the IME Unit Manager. The IME Unit Manager reviews the data presented and determines if the cost avoidance figures presented appear reasonable and legitimate. If questions exist regarding the proposed cost avoidance calculations, or the changes being proposed, the Unit Manager returns the documents to the PI Account Manager for clarification and possible modification. The cost avoidance package may also be presented to other IME Unit managers and the Policy Unit. Approval of the cost avoidance initiative may also depend on approval by additional IME staff. The anticipated savings based on the projected changes must be clearly linked to the dollar value of the cost avoidance amounts claimed.
- e. Once the IME Unit Manager, and any additional IME staff as appropriate, has accepted the proposed changes, the documents are submitted to the Policy Unit, CORE Unit, or other units for development of a proposed rule or system modification as necessary. The monthly value of the cost avoidance cannot be claimed until the proposed change has been acknowledged and approved by the above IME parties.

Step 8. Cost avoidance figures developed and accepted are additive. That is, once accepted by the State, the value continues to be counted for each succeeding month of the contract. As new cost avoidance issues are developed, they add to the monthly figure for cost avoidance starting the month immediately following the submission to the appropriate unit. The Payment Integrity Specialist is responsible for maintaining a ledger of cost avoidance figures that comprise the monthly amount claimed. These figures are reflected in the monthly Performance Tracking Report and monthly and quarterly Recovery Report Cards, all deliverable to the state.

### **Forms/Reports:**

PI Cost Avoidance Proposal Form F-104.

### **RFP References:**

6.1.3

### **Interfaces:**

IME Program Integrity  
IME Core Unit  
IME Policy Unit

Attachments:

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